2024-2025 RRSP FACTS GUIDE

Contributions

To see how much you can contribute to your RRSP for the current year, refer to your Notice of Assessment. You can also find information by logging into CRA My Account at www.canada.ca.

MAXIMUM CONTRIBUTIONS

The maximum RRSP contributions and deduction limits are:

2023: 18% of previous year's earned income up to $30,780
2024: 18% of previous year's earned income up to $31,560
2025: 18% of previous year's earned income up to $32,490

\+ Current year's Pension Adjustment Reversal (PAR)
\+ Unused deduction room earned in previous years
\- Previous year's Pension Adjustment (PA)
\- Current year's Past Service Pension Adjustment (PSPA)

AGE LIMIT

You can make contributions to your RRSP up to and including the year in which you turn 71. Your RRSP must mature by December 31 of that year, at which time, you will have three options:

1. Cash out the plan – the full value will be added to your income for the year and taxed accordingly
2. Use the proceeds to purchase an annuity
3. Convert the plan to a Registered Retirement Income Fund (RRIF)

CONTRIBUTION RULES

- ☑ Unused contribution room can be carried forward indefinitely (subject to age limits)
- ☑ Contributions are deductible for the previous year if made within 60 days of year end
- ☑ Contributions may be carried forward indefinitely and deducted in a future year
- ☑ Contributions to an individual RRSP may be made up to and including the year in which the annuitant turns 71
- ☑ By December 31 of that year, RRSPs must be deregistered or transferred to a Registered Retirement Income Fund (RRIF) or an annuity

OVERCONTRIBUTION

You may contribute up to $2,000 (cumulative) above your contribution limit without penalty. However, the over contributed amount will not be allowed as a tax deduction and amounts over $2,000 will be subject to a 1% per month penalty tax. Unused contribution room can be carried forward indefinitely (subject to age limits).

EARNED INCOME

Earned income is income that you receive for the work you have done. It includes the annual total of:

- ☑ Net employment income
- ☑ Net income from a business or partnership
- ☑ Net rental income
- ☑ Net research grants
- ☑ Taxable disability benefits
- ☑ Supplementary unemployment benefits
- ☑ Taxable alimony, maintenance or child support
- ☑ Certain royalty income

NOT INCLUDED IN EARNED INCOME

- Investment income
- Taxable capital gains
- Limited partnership income
- Death benefits
- Retiring allowance
- Pension or DPSP income payments from RRSP, RRIF, Old Age Security (OAS), CPP or QPP

SPOUSAL RRSP

- ☑ Contributor claims the deduction for a spousal RRSP
- ☑ Deduction limits are based on the contributor and not the spouse
- ☑ Plan and assets are controlled by the spouse
- ☑ Contributor (not the spouse) pays taxes on withdrawals, unless the contributions are held in the plan for at least two years after the end of the year in which the last contribution was made
- ☑ Contributions to a spousal plan may be made up to and including the year the spouse turns 71, as long as the contributor has earned income

INVESTMENT OPTIONS FOR YOUR RRSP

- Mutual Funds
- Fixed Income Securities
- 1-5 Year GIC
- 30-270 day Short Term GIC

Withdrawals

You may withdraw cash from your RRSP at any time. The amount will be included in your income for that year and taxed as ordinary income. However, the amounts you withdraw cannot be re-contributed.

TAX WITHHELD ON A WITHDRAWAL

(For RRIFs, tax is withheld only on withdrawals in excess of minimum)

Withdrawal (Gross)	Quebec	Rest of Canada
$5,000 or less	20%	10%
$5,001 to $15,000	25%	20%
$15,001 or more	30%	30%

Source: Canada Revenue Agency

TAX DEFERRAL FOR TRANSFERS AND ROLLOVERS

Taxes may be deferred for transfers and rollovers in the following situations:

- ☑ Lump-sum distributions of shares from a Deferred Profit-Sharing Plan (DPSP)
- ☑ Lump-sum distributions from a US IRA if the payment is subject to tax in Canada and is not treaty protected
- ☑ Lump-sum payments from foreign pension plans if the payment is subject to tax in Canada and is not treaty protected
- ☑ Retiring allowances: $2,000 per year of service prior to 1996 plus $1,500 per year of service prior to 1989 in which there was no vesting of employer contributions to an RPP or DPSP
- ☑ Between spousal RRSPs due to a legal separation or divorce
- ☑ In the event of death, at which point the taxpayer's estate is taxed on the entire amount of any RRSPs or RRIFs unless:
  - The funds are transferred to the surviving spouse's RRSP or RRIF
  - The surviving spouse uses the funds to acquire an annuity
  - There is no surviving spouse, in which case the funds can be transferred to a child or grandchild up to age 18 and taxed in their hands or used to buy a term annuity

HOME BUYERS' PLAN

The Home Buyers' Plan allows you to borrow up to $35,000 from your current RRSP balance, tax free, in order to buy or build a qualifying home.* The plan is restricted to first-time buyers who have not owned and lived in a principal residence during the five years up to and including the current year. From the date of withdrawal, you will have up to 15 years to repay the amount withdrawn to your RRSP. The home cannot be acquired more than 30 days prior to the withdrawal and must be acquired by October 1 of the year following the year of withdrawal. Otherwise, the amounts withdrawn must be returned to the RRSP by the end of that year in order to avoid penalty. Any amount not repaid will be taxed as income.

LIFELONG LEARNING PLAN

The Lifelong Learning Plan allows you to finance a full-time training or education program by borrowing up to $10,000 per year, tax free, from your RRSP to a maximum of $20,000. *

The student maybe you, your spouse or common-law partner and must be enrolled as a full-time student in a qualifying educational program at a designated educational institution. Any amounts withdrawn must be repaid to your RRSP within a ten-year time frame in order to avoid penalty.

* **Important Note**

It is not possible to withdraw more funds than currently exist within your RRSP account. If you only have $5,000 in your RRSP, the maximum you can withdraw is $5,000.

Get expert advice with your RRSP

Contact your financial advisor to discuss your RRSP and Retirement Planning options.